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Programme budget for the biennium 2006-2007

Second performance report on the programme budget for the biennium 2006-2007

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the Secretary-General's second performance report on the programme budget of the United Nations for the biennium 2006-2007 (A/62/575). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. **The Advisory Committee commends the Secretary-General for presenting a clear and concise report on the financial aspects of the performance. The Committee is concerned, however, with the timing of the issuance of the report, as its late issuance hinders the work of the General Assembly. The second performance report should be available to Member States in time for their consideration of the proposed programme budget for the next biennium. Accordingly, the Committee requests that, in future, efforts be made to issue both the first and second performance reports in the first week of December.**

3. The anticipated final level of expenditures and income for the biennium 2006-2007 is based on actual expenditures for the first 22 months of the biennium, projected requirements for the last two months, changes in inflation and exchange rates and cost-of-living adjustments as compared with the assumptions made in the first performance report (A/61/593).

4. The Advisory Committee notes that the anticipated final level of expenditures and income for the biennium represents a net decrease of $126.1 million compared with the revised appropriation and estimate of income approved by the General Assembly in its resolutions 61/253 A to C, 61/258 and 61/275. The projected expenditure for the biennium 2006-2007 is estimated at $4,188.8 million, a decrease of $113.2 million compared with the revised appropriation of $4,302 million. Projected income is estimated at $505.1 million, an increase of $12.9 million over

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the revised income estimates of $492.2 million. Details are provided in table 1 of the second performance report.

5. The net decrease of $126.1 million reflects the combined effects of: (a) projected additional requirements of $65.6 million due to changes in exchange rates ($42 million) and commitments entered into under the provisions of resolution 60/249 on unforeseen and extraordinary expenses and in respect of policymaking organs ($23.6 million); and (b) reduced requirements of $191.7 million due to changes in inflation ($8.6 million), variations in posts costs and adjustments to other objects of expenditure based on actual anticipated requirements ($170.2 million) and an increase in income ($12.9 million).

6. Explanations concerning the requirements relating to changes in exchange rates and inflation are provided in the performance report, as are details regarding the budgeted and realized rates of exchange and information on changes in exchange rates and inflation by duty station (A/62/575, paras. 5-12 and schedules 4 and 5).

7. The Advisory Committee notes that, in estimating the effect of exchange rate changes experienced in 2007, the exchange rates from January to November 2007 were used, with the November rate applied to December. The Committee also notes that, consistent with approved methodology, the average 2006 rates of exchange of the Swiss franc and the euro against the dollar were used in calculating the revised appropriation for 2007, which provided the lowest estimates. As indicated in paragraph 7 of the performance report, significant requirements arise as the budgeted rate assumed a stronger United States dollar position than that which was actually in place at the end of 2006. Additional requirements resulting from the changes with respect to the exchange rate of the Swiss franc and the euro against the dollar amount to $20.2 million and $10.4 million, respectively. A similar weakening of the exchange rate between the dollar and the Thai baht, the shekel and the Kenyan shilling result in additional requirements of $4.9 million, $4.1 million and $3.1 million, respectively.

8. Details concerning the total additional requirements of $2,881,200 relating to commitments entered into in accordance with the provisions of General Assembly resolution 60/249 on unforeseen and extraordinary expenses are provided in paragraphs 13 to 17 of the performance report. They include:

(a) Commitments certified by the Secretary-General as relating to the maintenance of peace and security ($2,333,500);

(b) Commitments certified by the President of the International Court of Justice as relating to unforeseen expenses relating to the Court ($547,700).

9. An amount of $20,759,900, reflecting decisions of policymaking organs, is included in the performance report in connection with strengthening the capacity of the United Nations to manage and sustain peacekeeping operations (reduction of $213,000); strengthened and unified security management system (increase of $18,045,400); and renovation of the residence of the Secretary-General (increase of $2,927,500) (see A/62/575, paras. 18-38). The report also provides information on the results of the experiment for the redeployment of up to 50 posts authorized by the General Assembly in its resolutions 58/270 and 60/246 and on utilization by the Secretary-General of the limited discretion for budgetary implementation of up to $20 million authorized under resolution 60/283. In connection with the latter, a total of $8,783,400 has been utilized to address avian flu pandemic preparedness

($5,283,400) and fire safety deficiencies ($3,500,000). These requirements have been funded through the utilization of savings identified under section 27, Public information, and 33, Safety and security, of the programme budget.

10. Upon request, the Advisory Committee was provided with information concerning revised estimates and programme budget implications, amounting to some $11.6 million, which would be met from within the approved resources available under the programme budget for the biennium 2006-2007 to the extent possible and reported in the context of performance reports for the biennium 2006-2007. Information relating to pending statements of programme budget implications and revised estimates should be submitted to the Fifth Committee. In a related matter, the Committee notes an increasing trend towards requests for relatively small additional appropriations as a charge against the contingency fund when, based on past trends, it can be expected that the budget section in question will show a significant underexpenditure. Efforts should be made to absorb such additional requirements.

11. A decrease of $170,265,800 is projected relating to post incumbency and other changes reflecting: (a) the difference between realized vacancy rates and those assumed in the revised appropriations; (b) differences between actual average salary and common staff costs compared with the standards included in the revised appropriations; and (c) adjustments to objects of expenditure other than posts based on actual and anticipated requirements to the end of the biennium. Details are provided in paragraphs 39 to 60 of the performance report.

12. The Advisory Committee notes from paragraph 41 and schedule 8 of the performance report, that the average realized vacancy rates have exceeded the rates of 4.9 per cent for Professional staff and 1.5 per cent for General Service staff that were budgeted for the biennium 2006-2007. The Committee recalls that, during its consideration of the proposed programme budget for the biennium 2008-2009, it was informed that, in most cases, action was under way to fill vacancies (see A/62/7, para. 36). The following table, which is based on information provided to the Committee upon request, shows authorized regular budget posts that remained vacant as of 31 May and 30 November 2007.

	Vacant posts as of 31 May 2007[a]		*Vacant posts as of 30 November 2007[a]*	
Section	*Number*	*Level*	*Number*	*Level*
1	10	2 D-2, 1 D-1, 2 P-5, 2 P-2, 3 GS (OL)	12	3 P-5, 1 P-4, 1 P-3, 2 P-2, 5 GS (OL)
2	75	1 D-1, 2 P-5, 14 P-4, 24 P-3, 7 P-2, 2 GS (PL), 23 (GS (OL), 2 TC	113	6 P-5, 31 P-4, 35 P-3, 7 P-2, 2 GS (PL), 30 GS (OL), 2 TC
3	36	2 D-2, 3 D-1, 4 P-5, 7 P-4, 5 P-3, 4 P-2, 1 GS (PL), 10 GS (OL)	35	1 USG, 1 D-2, 3 D-1, 7 P-5, 6 P-4, 5 P-3, 1 P-2, 8 GS (OL), 1 SS, 1 GS (LL), 1 FS
4	4	1 USG, 1 P-5, 1 P-3, 1 GS (OL)	2	2 P-4
5	22	2 P-3, 20 FS	28	1 USG, 1 ASG, 1 D-2, 1 P-5, 2 P-3, 3 GS (OL), 4 GS (LL), 15 FS
6	—	—	1	1 D-2
7	5	1 P-5, 1 P-3, 1 P-2, 2 GS (OL)	1	1 P-4
8	2	1 P-4, 1 P-3	4	2 P-2, 1 GS (PL), 1 GS (OL)

	Vacant posts as of 31 May 2007[a]		Vacant posts as of 30 November 2007[a]	
Section	*Number*	*Level*	*Number*	*Level*
9	26	5 P-5, 3 P-4, 5 P-3, 2 P-2, 1 GS (PL), 10 GS (OL)	30	1 ASG, 1 D-2, 1 D-1, 2 P-5, 5 P-4, 2 P-3, 9 P-2, 9 GS (OL)
10	2	1 P-4, 1 P-3	2	1 D-1, 1 P-4
11	5	1 USG, 1 D-1, 1 P-4, 2 GS (OL)	7	1 USG, 1 D-1, 1 P-4, 1 P-3, 3 GS (OL)
12	10	1 ASG, 3 P-5, 1 P-3, 2 P-2, 1 GS (PL), 2 GS (OL)	12	1 ASG, 1 D-1, 2 P-5, 1 P-3, 2 P-2, 1 GS (PL), 4 GS (OL)
14	1	1 P-3	—	—
15	5	1 P-5, 1 P-4, 2 P-3, 1 P-2	2	1 P-3, 1 P-2
16	—	—	—	—
17	29	2 D-1, 7 P-5, 11 P-4, 7 P-3, 2 P-2	33	2 D-1, 6 P-5, 11 P-4, 11 P-3, 3 P-2
18	8	1 P-5, 1 P-4, 1 P-3, 1 P-2, 4 GS (LL)	16	1 P-5, 2 P-4, 4 P-2, 9 GS (LL)
19	4	1 P-3, 2 P-2, 1 GS (OL)	6	1 P-3, 2 P-2, 3 GS (OL)
20	13	1 P-4, 3 P-3, 1 P-2, 8 GS (LL)	7	1 P-5, 2 P-4, 2 P-3, 2 GS (LL)
21	15	1 D-1, 5 P-5, 3 P-4, 2 P-3, 3 GS (LL), 1 FS	18	1 D-1, 3 P-5, 3 P-4, 2 P-3, 2 P-2, 7 GS (LL)
23	36	10 P-5, 10 P-4, 10 P-3, 6 GS (OL)	39	1 D-1, 4 P-5, 14 P-4, 10 P-3, 5 P-2, 5 GS (OL)
24	1	1 ASG	—	—
25	5	1 D-1, 2 P-5, 1 P-4, 1 P-3	7	1 D-2, 1 D-1, 2 P-5, 3 P-4
26	5	1 P-4, 2 P-3, 2 P-2	—	—
27	34	2 P-5, 2 P-4, 2 P-3, 3 P-2, 1 GS (PL), 7 GS (OL), 16 GS (LL), 1 NO	24	3 P-5, 5 P-4, 1 P-3, 1 GS (PL), 8 GS (OL), 6 GS (LL)
28	60	1 D-2, 7 P-5, 2 P-4, 11 P-3, 4 P-2, 3 GS (PL), 24 GS (OL), 8 TC	57	1 D-2, 7 P-5, 8 P-4, 14 P-3, 5 P-2, 4 GS (PL), 18 GS (OL)
29	10	2 P-4, 3 P-3, 3 P-2, 1 GS (PL), 1 GS (OL)	20	2 D-1, 1 P-5, 6 P-4, 4 P-3, 4 P-2, 1 GS (PL), 2 GS (OL)
33	54	1 P-4, 2 P-3, 1 GS (PL), 12 GS (OL), 26 SS, 12 GS (LL)	32	1 P-4, 1 GS (PL), 7 GS (OL), 4 SS, 19 GS (LL)
Subtotal	**477**	**2 USG, 2 ASG, 5 D-2, 10 D-1, 53 P-5, 63 P-4, 89 P-3, 37 P-2, 11 GS (PL), 104 GS (OL), 10 TC, 26 SS, 43 GS (LL), 21 FS, 1 NO**	**508**	**3 USG, 3 ASG, 6 D-2, 14 D-1, 49 P-5, 103 P-4, 93 P-3, 49 P-2, 11 GS (PL), 106 GS (OL), 2 TC, 5 SS, 48 GS (LL), 16 FS**
Income section 3	11	1 P-5, 2 P-4, 3 GS (PL), 5 GS (OL)	12	2 P-4, 1 GS (PL), 9 GS (OL)
Total	**488**	**2 USG, 2 ASG, 5 D-2, 10 D-1, 54 P-5, 65 P-4, 89 P-3, 37 P-2, 14 GS (PL), 109 GS (OL), 10 TC, 26 SS, 43 GS (LL), 21 FS, 1 NO**	**520**	**3 USG, 3 ASG, 6 D-2, 14 D-1, 49 P-5, 105 P-4, 93 P-3, 49 P-2, 12 GS (PL), 115 GS (OL), 2 TC, 5 SS, 48 GS (LL), 16 FS**

[a] The following abbreviations relating to posts have been used in the table: USG, Under-Secretary-General; ASG, Assistant Secretary-General; GS, General Service; PL, Principal level; OL, Other level; LL, Local level; NO, National Officer; FS, Field Service; SS, Security Service; TC, Trades and Crafts.

13. The average rates realized for staff in the Professional category and above for 2006 and 2007 were 7 and 7.1 per cent, respectively, while the corresponding rates for General Service staff were 3.6 and 3.7 per cent. **Notwithstanding the explanations provided in paragraphs 39 to 44 of the performance report, the Advisory Committee stresses that large discrepancies between the budgeted and realized vacancy rates indicate a need for careful monitoring of budgetary assumptions. Efforts should be made in this regard and reported in the context of the second performance report for the biennium 2008-2009.**

14. The Advisory Committee notes that requirements for travel of staff reflect a net increase of $8.5 million across budget sections. Detailed explanations are provided in paragraph 50 of the performance report. As shown in schedule 3 of the performance report, a number of sections have exceeded the level of appropriation for travel of staff by more than 25 per cent, as follows:

Budget section	*Revised 2006-2007 appropriation*	*Projected 2006-2007 final appropriation*	*Overrun*
	(Thousands of United States dollars)		*(Percentage)*
1. Overall policymaking, direction and coordination	3 662	5 207.9	42.2
2. General Assembly and Economic and Social Council affairs and conference management	338.4	511.1	51
4. Disarmament	347.8	542.7	56
10. Least developed countries, landlocked developing countries and small island developing countries	175.7	296.5	68.8
21. Economic and social development in Western Asia	547.1	691.4	26.4
28A. Office of the Under-Secretary-General for Management	97.8	344.4	252.1
28B. Office of Programme Planning, Budget and Accounts	157.0	209.8	33.6
28C. Office of Human Resources Management	509.2	1 190.8	133.9
28E. Administration, Geneva	91.5	235.6	157.5
28F. Administration, Vienna	35.1	78.3	123.1
33. Safety and security	1 406.1	2 264.3	61

15. **The Advisory Committee, while it does not deny the importance that networking and face-to-face consultations have in a global organization such as the United Nations, reiterates that it is of the view that travel of senior managers and others could be reduced considerably through greater recourse to videoconferencing and other electronic means of communication wherever possible (A/60/7, para. 90). That said, the Committee recognizes that there are factors that may lead to an unexpected need for additional travel funds. An analysis should be undertaken of the underlying causes of overexpenditure under travel of staff in cases where it occurs in consecutive bienniums.**

16. Upon enquiry concerning the malicious acts insurance policy, which is mentioned in paragraph 60 of the performance report, the Advisory Committee was informed that the current policy was a fixed three-year policy, effective 1 January

2007. The programme, which had previously excluded coverage for 10 United Nations headquarters duty stations, was expanded in 2006 to provide worldwide coverage for all participating organizations. In addition, the programme was restructured, including the introduction of a $1.5 million annual deductible. The net effect of these changes was a premium savings for the biennium 2006-2007.

17. The Advisory Committee notes that as at the end of October 2007 unliquidated obligations amounted to $175.1 million (A/62/575, para. 61). The Committee understands that this figure will change between now and the closing of the accounts. **Nevertheless, the Committee requests that in future comparative data on the actual level of unliquidated obligations at the closing of accounts be provided for the two previous bienniums.**

18. The Advisory Committee enquired concerning the inclusion of costs in the performance report relating to the implementation of the enterprise resource planning system. It was informed that the main costs incurred for preparatory work for the implementation of the system related to requirements under section 28A, Office of the Under-Secretary-General, as follows:

Object of expenditure	*Amount (in United States dollars)*
General temporary assistance	662 800
Consultants	95 900
Travel of staff	1 159 000
Total	**1 917 700**

19. In addition, the Chief Information Technology Officer, budgeted under section 1, Overall policymaking, direction and coordination, is overseeing the implementation of the enterprise resource planning system. Other departments and offices have participated in this preparatory phase, largely through part use of available staffing resources.

20. **The Advisory Committee recommends that the General Assembly take note of the second performance report on the programme budget for the biennium 2006-2008.**